



Washington State

Tax

Guide 2004

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OVERVIEW

No State Income Tax

The state of Washington has no corporate or individual income tax. Therefore, Washington relies on other taxes to fund public services.

Business and Occupation (B&O) Tax

Washington's major tax on businesses is the business and occupation (B&O) tax, a tax on gross receipts. B&O tax is due from each business that conducts local activities in Washington even when such activities are subcontracted to a third party to perform on behalf of the principle. The nexus standard for the B&O tax is not tied to PL 86-272.

B&O Deductions

Allowable:

- Interstate and Foreign Sales – Delivery of goods outside of Washington
- Apportionment – Where services are performed both within and without the state
- Bad Debts – Only if income was previously reported and written off for IRS purposes
- Cash & Trade Discounts – If seller is not compensated by manufacturer or other party
- Advances & Reimbursements – Cannot have any liability for paying these costs

Not Allowable

No deductions are allowed for costs of doing business. Therefore, if a subcontractor is hired to actually perform the local activity, no deduction is allowed for payment of the subcontractor. Further, no deductions are allowed for costs of materials, supplies, labor, etc.

Retail Sales Tax

Washington's major tax on consumers is the retail sales tax. Retailers with nexus must collect the sales tax on deliveries of goods to Washington consumers and on retail services performed in Washington for consumers. Retail services include construction, installation, and repair activities. There is no option to have the buyer pay tax directly to the Department.

Additionally, businesses that have leased tangible personal property that is located in Washington are required to collect sales tax on the lease payments. Having leased tangible personal property in Washington provides nexus. For example, a California vehicle leasing company has a lessee that moves to Washington--they must register, collect and remit Washington sales tax on those lease payments. There is no offset allowed against the sales tax for sales or use tax paid to another jurisdiction.

Retail Sales Tax Deductions

Allowable Deductions

- Interstate and Foreign Sales – Delivery of goods outside of Washington
- Bad Debts – Only if income was previously reported and written off for IRS purposes
- Cash & Trade Discounts – Where seller is not compensated by manufacturer or corporate headquarters
- Advances & Reimbursements – Cannot have any liability for paying these costs
- Food and Prescription Drugs

Not Allowable

No deductions are allowed for costs of doing business. Therefore, if a subcontractor is hired to actually perform the local activity, no deduction is allowed for payment of the subcontractor. Tax is due on the total contract price. Further, no deductions are allowed for costs of materials, supplies, labor, etc.

Use Tax

The use tax is a consumer tax on goods and retail services purchased without payment of sales tax. Many businesses make consumer purchases from Internet and catalog sellers that are not required to collect Washington sales tax. Also, some businesses use purchasing offices located outside of Washington. In either case, if the goods are finally used/consumed in Washington, use tax applies.

In some cases, out-of-state businesses voluntarily register to collect Washington's use tax if it is not clear that they have nexus in Washington. Generally, B&O tax would not apply to sales that are subject to use tax collection.

Use Tax Credit

A credit is allowed against the use tax for sales/use tax paid elsewhere assuming that it was paid prior to the goods being brought into Washington.

NEXUS AND THE STATE OF WASHINGTON

Washington is one of a few states that does not impose an income tax. To fund services, Washington relies heavily on business and consumer taxes. The primary business tax is the business and occupation (B&O) tax, an excise tax on the act or privilege of engaging in business activities. The B&O tax is determined by the application of rates against gross income of the business, gross proceeds of sales, or value of products. The state's consumer taxes are the retail sales tax and use tax.

For tax purposes, nexus is the minimum level of business activity or connection a person has with a state that allows the state to impose its tax or tax collection responsibilities on that person. Although a person may have nexus with a state, federal law may restrict the power of the state to tax interstate business. For example, Public Law 86-272 (codified as 15 U.S.C. 381. et seq.) restricts the power of a state to tax net income derived from sources within the state from interstate commerce if the only business activities within the state by or on behalf of the

person during the taxable year are the solicitation of orders for sales of tangible personal property. Public Law 86-272 does not apply to Washington's B&O tax, because the B&O tax is not a tax on net income.

Activities That Establish Nexus – Washington Administrative Code (WAC) 458-20-193

Examples of local activities sufficient to establish nexus for Washington's B&O tax include, but are not limited to, the following:

- Soliciting sales within Washington. Sales representatives need not be employees. They can include agents or independent contractors. Sales representatives need not reside within or outside of Washington.
- Delivering property to the buyer or an agent of the buyer in Washington from a local outlet or local stock of the seller in this state.
- Participating, either directly or by an agent, independent contractor, or other representative, in any activity within Washington that is significantly associated with the seller's establishment or maintenance of sales into Washington. This includes attending trade shows or conventions in this state where a seller or its representative presents a product line, issues promotional materials, or consults with distributors. It also includes the instate presence of agents or other representatives of the seller who provide technical advice, perform maintenance, or warranty repairs.
- Having a branch office, local outlet or other place of business in Washington that the sellers uses in any way.
- Installing products in Washington as a condition of the sales, either by the seller's employees or by subcontractors.
- Engaging in or contracting for construction activities that take place in Washington as either a prime contractor or a subcontractor. (See "Construction Activities.")

When Activities Establishing Nexus Cease

Once nexus is established, a business continues to be subject to Washington's tax registration and reporting requirements for the remainder of the calendar year in which the nexus establishing activity ceases, and for the **following four years**. In other words, even though the nexus activity may have ceased, nexus for purposes of the B&O tax and the requirement to collect and remit sales tax continues for up to five years. (WAC 458-20-193)

When the B&O Tax Applies to Sales of Goods Originating Outside of Washington

Imposition of the B&O tax on sales of goods originating outside of Washington requires the following two elements:

- The seller must establish nexus with Washington
- The buyer must receive the goods in Washington

As long as these two requirements are met, any other Washington tax that applies to that sale, such as sales tax, must also be reported and paid.

VOLUNTARY DISCLOSURE PROGRAM

Overview of the Voluntary Disclosure Program

The Department of Revenue encourages businesses to comply with the State of Washington's tax laws and to come forward to voluntarily register and pay prior tax obligations. This applies to all taxes administered by the Department.

Description and Process of the Program

The voluntary disclosure program allows companies to come forward by providing a detailed written description of their past activities. The "look back" period is limited to four years plus the current year through the last complete quarter. Penalties will either be partially or fully waived and interest will be imposed at the statutory rate.

Qualifications for Voluntary Disclosure

- Have not been previously contacted by the Department.

- Have not engaged in evasion or misrepresentation with respect to reporting tax liabilities or other tax requirements.
- Are not currently listed with the Department as registered and reporting.

All businesses are encouraged to come forward voluntarily if they have a reporting liability with the Department.

Benefits of Voluntary Disclosure

- Limited "look back" period.
- Penalties will be partially or fully waived.
- Qualified companies can remain anonymous until negotiations are complete.
- Through the state's normal tax discovery and audit investigation, companies are subject to tax, interest, and up to **35 percent in penalties** for a look back period of seven-plus years. (WAC 458-20-228 and 458-20-230)

When applying by written request, include the following information:

- Description of your business activities that create nexus.
- A statement whether the company has or has not collected Washington sales tax.
- A statement that you have or have not been previously contacted by the Washington Department of Revenue relating to your registration status or any tax for which you are requesting voluntary disclosure.
- A statement that the company is or is not under audit by the Washington Department of Revenue.

Apply On Our Web Site

Complete the voluntary disclosure e-form and the voluntary disclosure coordinator will contact you. This form is available at <https://dor.wa.gov/content/contactus/email/VoluntaryDisclosure.aspx>.

Apply Through the Multistate Tax Commission
Voluntary disclosure can also be made through the Multistate Tax Commission (MTC) National Nexus Program.

Contact Information

If your business is not registered and you would like more information about our Voluntary Disclosure Program, contact:

Voluntary Disclosure Program
Washington State Department of Revenue
PO Box 47474
Olympia, WA 98504-7474

Phone: (360) 725-7590
Fax: (360) 586-7152
E-mail: <https://dor.wa.gov/content/contactus/email/VoluntaryDisclosure.aspx>

If your business is registered and you would like information about paying prior taxes, please visit our Contact Us page or call 1-800-647-7706.

Department of Revenue Web Site

You are encouraged to use our web site at <http://dor.wa.gov>. Through this web site you can access:

- Revised Code of Washington (RCW) statutes that pertain to Washington taxes
- Washington Administrative Code (WAC) rules that pertain to Washington taxes
- Washington Tax Decisions (Determinations)
- Excise Tax Advisories (ETA) – Department bulletins
- *Taxpedia* to search laws, rules and ETAs
- Special Notices on various tax issues
- Google search engine to search our web site
- Our quarterly *Tax Facts* publication on legislative changes/law and rule updates, etc.
- Industry Specific Tax Guides – Construction, Lodging, Restaurants, Auto Dealers, etc.
- Information on other Washington taxes
- Tax incentives
- Forms
- Much more

TAXABILITY OF CONSTRUCTION AND INSTALLATION ACTIVITIES

Construction and installation activities are treated similarly for tax purposes. Accordingly, where the discussion mentions construction activities, it also includes installation activities.

In general terms, construction activities include, but are not limited to:

- Installing, repairing, cleaning, improving, constructing and decorating real property
- Constructing and improving new or existing buildings and structures
- Cleaning, fumigating, razing or moving structures
- Cleaning and repairing furnaces and septic tanks; clearing land and moving earth
- Drilling oil or water wells; building or improving streets, roads, etc.
- Site cleanup
- Services rendered in respect to construction, including construction management

In more specific terms, construction activities also include:

- performance of general contracting
- construction management
- construction cleanup/debris removal
- landscaping
- painting
- plumbing
- electrical wiring
- heat/ventilation/ air conditioning
- roofing
- flooring/carpeting
- windows
- masonry
- concrete
- drywall
- lighting

- windows
- framing
- carpentry
- trim work
- etc.

Construction Categories for Tax Purposes

Businesses perform construction activities as prime contractors, subcontractors, or speculative builders. Businesses may perform construction as a prime contractor on one job, a subcontractor on another, and as a speculative builder on yet another project.

Generally, a prime contractor is hired by the landowner and a subcontractor is hired by a prime contractor. For state tax purposes, the difference between a prime contractor and a subcontractor is only significant on "custom" contracting jobs. Otherwise, a prime and subcontractor are treated the same for tax purposes.

To determine how to properly report your taxes, you must determine which category of construction activities you perform. A general description of each of the categories follows.

1. Custom Construction

Generally, custom construction involves residential and commercial construction performed for others, including road construction for the state of Washington. However, custom construction is also a catchall (or default) category for other construction activities. That is, custom contracting is the category for construction activities that are not specifically designated as speculative building; federal government contracting; public road construction; logging road construction; radioactive waste cleanup on federal lands; or designated hazardous site cleanup jobs.

Prime Contracting: Custom prime contracting is when a contractor is hired by a landowner (or a person having the rights of ownership, such as a lessee or easement holder) to complete an entire construction project. The custom prime contractor may perform all, or a portion of the construction, or hire other contractors (subcontractors) to perform all, or a portion of the work. The income from custom prime contracting (without deduction for any amounts paid to subcontractors) is reported under the Retailing

B&O tax classification and is subject to retail sales tax unless a specific exemption applies. The custom prime contractor may use a resale certificate to purchase materials and subcontractors and not pay sales tax.

Subcontracting: Custom subcontracting is when a contractor is hired by a custom prime contractor to provide a portion of the services necessary to complete the project. Income from custom subcontracting is reported under the Wholesaling B&O tax classification. The custom sub-contractor may use a resale certificate to purchase materials and subcontractors and not pay sales tax.

2. Speculative Building

Speculative building is when a builder makes improvements on land he/she owns. Speculative builders are not subject to B&O tax or retail sales tax on the sale of the real estate. They are, however, subject to the real estate excise tax. On some projects, the landowner will directly hire different contractors to perform portions of the total project. In these cases, each contractor hired by the landowner is taxable as a custom prime contractor. The speculative builder may not use a resale certificate for the purchase of materials or subcontractors.

3. Government Contracting (Federal Government Only)

The Government Contracting B&O tax classification applies only when a prime or subcontractor engages in constructing, installing, and improving real property of, or for, the United States, its instrumentalities. Retail sales tax is not charged to the federal government. A government contractor is subject to tax all materials installed and may not use a resale certificate for such purchases.

4. Public Road Construction

The Public Road Construction B&O tax classification applies only when a prime or subcontractor builds, repairs, or improves streets, roads, etc., owned by a municipal corporation or political subdivision of the state of Washington or the federal government. (This type of construction does not apply to roads owned by the state of Washington.) Retail sales tax is not charged to the municipality that owns the public road. A public road contractor is subject to tax all

materials installed and may not use a resale certificate for such purchases.

5. Logging Road Construction

Logging road construction is road construction, that is directly related to a logging operation. Generally, income from logging road construction that is directly related to a logging operation is reported under the Extracting/Extracting for Hire B&O tax classification. Retail sales tax is not charged on this type of construction. A logging road contractor is subject to tax all materials installed and may not use a resale certificate for such purchases.

6. Construction for Indians or Indian Tribes on Tribal Land (Indian Country)

The tax application for construction on Tribal lands is markedly different from the taxation of construction elsewhere. Generally, a business that contracts directly with the Indian tribal member or an Indian tribe, is not subject to Washington taxes. A prime contractor performing construction on Indian land for an enrolled member may use a resale certificate to purchase materials and other (sub)contractors without payment of sales tax.

However, subcontractors constructing on Indian land for a prime contractor are not exempt. Subcontractors are subject to the B&O tax under the wholesaling classification (assuming a resale certificate is obtained from the prime contractor).

Prime contractors are also exempt from sales tax on materials consumed in construction on tribal lands.

7. Contaminated Site Cleanup/Environmental Remedial Action

The special B&O tax classification for environmental remedial action expired on July 1, 2003. Because the law no longer provides a special definition and tax rate for environmental remedial action, the activities relative to cleaning contaminated sites are taxed in accordance with the Washington tax law applicable to the specific activity performed or based on the predominate activity if several types of services are performed.

ADDITIONAL INFORMATION ON WASHINGTON'S TAXES

Business and Occupation (B&O) Tax

Persons conducting business activities within the state of Washington are subject to the business and occupation tax. Out-of-state persons are subject to the tax when conducting activities within Washington State.

What is the B&O Tax?

The state B&O tax is a gross receipts tax. It is measured on the value of products, gross proceeds of sale, or gross income of the business.

Washington, unlike many other states, does not have an income tax. Washington's B&O tax is calculated on GROSS income from activities. This means there are no deductions from the B&O tax for labor, materials, taxes, or other costs of doing business.

In 2003, the business and occupation tax accounted for \$1,923,370,000. This was 15.7 percent of all Washington state taxes. The state B&O tax is a gross receipts tax measured on the value of products, gross proceeds of sales or gross income of the business. Since the B&O tax is a cost of doing business, it should not be billed to your customers as a separately stated item. However, if it is listed the B&O tax on your billings, it becomes part of the taxable gross income.

What are the Major B&O Tax Classifications?

Retailing – Sales of goods and certain services to consumers are retail sales. Businesses making retail sales are subject to the B&O tax under the Retailing classification, even when the sales are not subject to retail sales tax. For example, most prepackaged food products are exempt from retail sales tax, but the income from these sales is taxable under the Retailing B&O tax classification.

Taxable retail services include:

Those generally performed on either real or personal property, including construction, installation and repair services.

Certain personal services, including:

- Auto detailing
- Physical fitness services
- Tattooing
- Lawn mowing
- Tree and shrub pruning and trimming
- Insect spraying
- Day trips for sight seeing
- Escrow services
- Providing equipment with operator

Wholesaling – Wholesalers sell goods and certain services to persons who will resell them to others in the regular course of business. The B&O tax is calculated on the wholesale selling price. Retail sales tax is not collected on wholesale transactions.

If you are a wholesaler, you must keep a completed resale certificate on file from each purchaser. Blanket resale certificates may be used by those purchasing wholesale, but must be renewed every four years. The buyer gives the certificate to the seller to be retained in the seller's records. See the section on Resale Certificate for more information.

Manufacturing – This classification is used by firms that manufacture items in Washington, regardless of where the product is sold. The Manufacturing B&O tax is based on the value of the products, which is generally determined by the selling price. If the producer sells and delivers the manufactured products within this state, the income is also reported under the Wholesaling and/or Retailing B&O tax classification. The Multiple Activities Tax Credit is available to offset the double tax payment when reporting under two or more B&O classifications.

Service and Other Activities – This classification is for businesses that provide personal and professional services. Additionally, any business activity that is not designated a particular rate by statute reports under this category.

Business activities and services that would fall under this category include:

- Consulting services
- Management services
- Doctors

- Lawyers
- Investment advising
- Beauticians

B&O Tax Deductions

There are no deductions from the B&O tax for costs associated with doing business. The law provides certain B&O tax exemptions and deductions depending on the classification of the B&O tax. (Chapter 82.04 RCW)

Some of the more common exemptions include:

- Returns & allowances (WAC 458-20-108)
- Bad debt (WAC 458-20-196)
- Casual sales (WAC 458-20-106)
- Interstate sales (WAC 458-20-193)
- Foreign sales (WAC 458-20-193C)
- Bona fide advancements and reimbursement (WAC 458-20-111)

Retail Sales Tax

Businesses with nexus that make retail sales in Washington are responsible for collecting and remitting Washington retail sales tax. Sales tax applies to goods delivered to Washington consumers and retail services, such as construction/installation, performed in Washington. Depending on the location of sale, combined state and local tax rates range from 7.0 to 8.9 percent. However, additional sales taxes apply to lodging, rental cars (30 days or less), motor vehicle sales and leases (more than 30 days), and food and beverage sales in King County. For more information on rates, refer to our web site at: http://dor.wa.gov/content/forms/forms_local.aspx.

Washington's retail sales tax applies to those sales that are defined as "sales at retail" or "retail sales." Thus, a seller who is subject to the retailing B&O tax under the retailing classification must collect sales tax, unless a specific exemption applies.

Buyer to Pay – Seller to Collect

Although the buyer is subject to and must pay the sales tax when making retail purchases, the seller must collect and pay the tax to the Department of Revenue. Sellers are liable for the tax even if they do not collect it from the buyer. (RCW 82.08.050)

Selling Price is the Measure of Tax

Washington's sales tax is computed using the selling price. The selling price is defined to be **all consideration** received by the seller from a buyer. (RCW 82.08.010)

This includes amounts for charges such as:

- Shipping, handling, delivery, and freight (WAC 458-20-110)
- Labor component of sales transaction (RCW 82.04.050)
- "Services rendered in respect to a retail activity" (Hybrid activities) (RCW 82.04.051)

The selling price excludes the value of like-kind property used as trade-in. It is important to understand that the trade-in represents a decrease in the selling price only for the purpose of computing the sale tax. For the purpose of computing the B&O tax, a trade in does not reduce the gross proceeds of sale.

Combined State and Local Sales Tax

Washington's retail sales tax is a combination of the state retail sales tax and the local retail sales tax. (Chapters 82.08 and 82.14 RCW) Generally, businesses use the excise tax return to report and pay the combined tax, along with other taxes. The Department distributes the local sales tax to local governments each month.

Depending on the location of sale, Washington's sales tax rates range from 7.0 to 8.9 percent. The state's portion is 6.5 percent while local rates range from .5 to 2.4 percent.

Determining the Location of a Sale

The location of sale determines the applicable sale tax rate. (WAC 458-20-145)

Depending on the type of sale, one of three methods will determine the location of the sale:

- Mere sale of tangible personal property – For those sales of tangible personal property, you must determine whether the goods originate in this state or another.

- If the goods are sold at a retail location in Washington, then the retail location is considered the location of the sale.
- If the goods are shipped from a warehouse in Washington, then the place of sale is the location of the warehouse the goods are shipped from.
- If the goods are shipped from out of state and the seller has an office, outlet, agent, or other facility that participates in the sale, then the location of sale is considered to be that office, outlet, agent or other facility in Washington.
- If the goods are shipped from out-of-state and the seller does not have an office, outlet, agent, or other facility that participates in the sale, then the buyer's location is the place of sale for tax purposes.

Sales of Retail Services

For sales of retail services, the place of sale is where the service is performed. Retail services generally include all retail activities, except for the sale of tangible personal property. Examples of retail services are construction and repair activities, and lodging. A retail service may include tangible personal property. When this happens, the location of the sale remains that of where the service is provided. The same rate applies to the charges for both the labor and the materials. For example, the installation of carpeting may include the sale of the carpet and the labor to install.

Rentals or Leases of Tangible Personal Property

The location of sales for rentals or leases of tangible personal property to persons in Washington depends on whether the lease is a short-term or a long-term lease. In general, a short-term lease is less than 30 days. The lessor's Washington location determines the place of sale for short-term rentals. Out-of-state lessors with no physical location in Washington, must collect sales tax at the rate of the lessee's location.

The lessee's location determines the place of sale for long-term lease. In general, a long-term lease is greater than 30 days.

Charges for Telephone Services

The sales tax rate for telecommunication services is generally based on “place of primary use.” For additional information, see our Special Notice at http://dor.wa.gov/Docs/Pubs/SpecialNotices/2004/sn_04_TelephonePlaceofSale.pdf. Also, refer to WAC 458-20-245 at <http://www.leg.wa.gov/WAC/index.cfm?section=458-20-245&fuseaction=section>.

Itemized Sales Tax – Requirement to Separately State the Sales Tax

Unless the invoice, contract, or other document of sale separately states the sale tax, the law conclusively presumes that the seller did not collect the sales tax. It is not sufficient to merely state the tax is included. (RCW 82.08.050 & WAC 458-20-107)

Businesses are Consumers

Business acquiring goods or services without the payment of sales tax must remit either use tax or deferred sales tax directly to the Department of Revenue. (See the Use Tax section.)

Manufacturers Sales and Use Tax Exemption

Manufacturers, processors for hire, and manufacturers who perform research and development are not required to pay the sales or use tax on machinery and equipment used directly in the manufacturing or research operations. Charges for labor and services for installing the machinery and equipment are also not subject to the sales or use tax. Likewise, charges for repair labor and parts (if the parts have a useful life of at least one year), cleaning, altering, or improving the qualified machinery and equipment are exempt from the sales and use taxes.

Retail Sales Tax Exemptions

Although all sales of tangible personal property and all retail services are considered retail sales, there are several exemptions from the retail sales tax that retailers need to be aware of:

- Interstate & Foreign Sales (WAC 458-20-193 & WAC 458-20-193C) When goods are shipped from Washington to a point outside of Washington, the items are not subject to retail sales tax.
- Cash and Trade Discounts (WAC 458-20-108) When there is an actual discounted price, sale tax is only charged on the discounted amount. This

does not apply when the seller is actually being reimbursed by the manufacturer (i.e., manufacturers’ rebates).

- Sales of Food Products (WAC 458-20-244)
- Sales to Indian Tribal Members with Delivery on the Reservation (WAC 458-20-192)
- Manufacturing Machinery and Equipment (RCW 82.08.02565)
- Sales to the United States Government (WAC 458-20-190)
- Public Road Construction, owned by cities and counties (WAC 458-20-171)

The state of Washington, local governments, school districts, churches, and nonprofit organizations are generally considered consumers and subject to retail sales tax. (WAC 458-20-189 and WAC 458-20-169)

RESALE CERTIFICATES

Businesses that make purchases for resale must complete and submit a resale certificate to the seller. If not, the seller is required to charge the buyer retail sales tax on the total purchase.

A business may only complete a resale certificate for purchases of property or services, which are:

1. For resale in the regular course of business, without intervening use by the buyer
2. An ingredient or component part of a new article of tangible personal property produced for sale
3. Chemicals used in processing an article produced for resale
4. For use in processing ferrosilicon which is subsequently used in producing magnesium for sale
5. To be provided to consumers as part of competitive telephone service

6. Feed, seed, seedlings, fertilizer, spray materials, or agents for enhanced pollination, including insects such as bees, for use by a farmer for producing for sale any agricultural product; or use in the federal conservation service program or its successor administered by the United States Department of Agriculture.

When goods or services are purchased for the reasons stated above, the buyer must give the seller a fully completed resale certificate. Resale certificates should not be sent to the Department of Revenue.

Completing the Resale Certificate

Resale certificates come in many forms. They may be purchased from business stationery stores or created to meet the specific needs of a business. In every case, certain information is required on the certificate. A copy of the approved certificate is provided in the back of this workbook and on our web site at <http://dor.wa.gov>.

1. **Name of Seller** - Name of the business making the sale.
2. **Name of Buyer/Business** - Registered name of the business
3. **Address of Buyer** - Mailing address of the buyer.
4. **Buyer's UBI/Revenue Registration Number**
- Nine-digit number that usually starts with 600, 601, or 602. This number is found on the Master License or the excise tax return.
5. **Buyer is in the business of** - the specific type of business the buyer is operating, such as electrical contractor, clothing sales, sales of general merchandise, grocery store, manufacturer of paper products, appliance repair, auto sales and repair, etc.
6. **Types of items purchased for resale** - These items or services should be directly related to the type of business described above. Each individual item does not have to be identified. A general description will meet the requirements.

Reasons - Any one, or combination, of the reasons for using the resale certificate may be used. Which one(s) is or are completed depends on the type of business operated. Most businesses will make purchases "for resale in the regular course of business." The reasons match the exemptions listed on the front page and are self-explanatory.

Print Name - The person authorized to make the purchase(s) must print his/her name.

Signature - The authorized person is required to sign the certificate. (The same person who printed their name.)

Effective Date - The date the certificate is first used must be entered. This date is used to determine when the certificate expires and how long it must be kept in the seller's records.

Remember, a properly completed resale certificate protects both the buyer and the seller. There is a 50 percent penalty for the misuse of a resale certificate. (WAC 458-20-102)

Use Tax

Washington's use tax is a companion to the sales tax. The tax is due when goods are acquired for use in Washington without payment of the state's sales tax. Most persons assume that the burden to report use tax rests with the buyer. While this assumption is generally correct, there are times when a seller must collect and report use tax rather than retail sales tax.

Requirement to Collect Use Tax When Making Sales to a Consumer

In limited situations, an out-of-state seller with nexus in Washington may be able to disassociate sales for purposes of the retailing B&O tax. However, such sellers must collect the use tax.

When collecting the use tax, the value of the article used is generally the amount of consideration received for the goods. This consideration includes tariffs or duties paid with importation, freight, delivery and handling charges.

Requirement to Pay Use Tax as a Consumer

Use tax is due when businesses and individuals alike acquire goods and services for use in Washington

without payment of Washington's retail sales tax. It makes no difference whether the goods are acquired by lease, gift, repossession, bailment, extracted, produced, or manufactured by the person using the goods. (WAC 458-20-178)

There are many instances when Washington's sales tax is not paid on purchases. Common examples of when Washington's sales tax may not have been paid and use tax may be due include the following:

- Purchase of goods in another state with no sales tax or a state with a sales tax rate lower than Washington's.
- Purchases of goods from a person who is not in business and authorized to collect sales tax. (i.e., garage sales, yard sales).
- Purchase of goods from out-of-state by subscription, mail-order, Internet, etc.
- Transfer of business property to Washington from an out-of-state location.
- Use of equipment provided by the U.S. government, when performing contractual services to the U.S. government.
- Installation of materials provided to persons performing construction activities for agencies of the U.S. government.
- Use of equipment in Washington for temporary business activities. If sales tax was not paid in another state. If here less than six months (in a 12-month period) tax is on the fair rental value.

Use tax is computed using the value of the article used. (RCW 82.12.010 and WAC 458-20-178)

For businesses reporting use tax as a consumer, the value of the article used is the value of the property when first used in Washington. First use occurs with any act by which the user takes or assumes dominion and control such as installation, storage, withdrawal from storage, or any other act to subsequent actual use or consumption in Washington.

Use Tax Rates and Computing the Tax

As with the sales tax, Washington's use tax is a combination of the state use tax and the local use tax. (Chapters 82.12 and 82.14 RCW) Out-of-state sellers collecting the use tax use the excise tax return to report and pay the tax. Generally, businesses reporting use tax as a consumer may use an excise tax return.

The use tax rates are the same as sales tax rates. Thus, use rates range from 7.0 to 8.9 percent depending on the location.

For local use tax purposes, the location of first use of the property in Washington determines which rate applies. Thus, an out-of-state seller will collect use tax based upon the customer's location. A business reporting use tax as a consumer will generally use its location to determine which rate applies.

Deferred Sales Tax

Sales tax is due when consumers make retail purchases of goods and services from sellers with nexus in Washington. Use tax is due when consumers acquire goods and services for use in this state without payment of Washington's retail sales tax. Deferred sales tax, however, is due when persons acquire retail goods and services without paying sales tax when sales tax was actually due. The most common example of when this happens is when goods are purchased for dual purposes without payment of the retail sales tax. A purchase for dual purposes occurs when a business uses a resale certificate to purchase goods both for resale and to use as a consumer (intervening use).

Knowing whether to pay deferred sales tax or use tax is important because there can be a difference in the amount of tax due. This is because the manner in which the two taxes are computed is different.

To compute deferred sales tax use the rate in effect where the items were purchased (sellers location). However, as mentioned previously, the rate for use tax is the rate where the items are first used.

Credit for Sales or Use Tax Paid in Another State

The amount of sales/use tax paid in another state may be deducted from the amount of use tax due in

Washington if the tax was paid before the property was first used in Washington. In order to take credit, however the tax must have been legitimately due and paid to the other state before the property was brought into Washington. The Department of Revenue will not allow a credit if tax is paid to another state if it was not legally due to that state.

Use Tax Exemptions

Washington State law provides many use tax exemptions. Some are similar to the sales tax exemptions. Listed below are some of the most common exemptions. (WAC 458-20-178 and chapter 82.12 RCW)

- Use of tangible personal property brought into the state of Washington by a nonresident for use while temporarily in this state.
- The use of a motor vehicle in this state by a nonresident which is properly licensed in the nonresident's state of residency and is not required to be registered in this state.
- Use of household goods, personal effects, and private automobiles by a resident of this state, if such articles were acquired in another state while they were a bona resident of that state.
- The use of any airplane, locomotive, railroad car, or water craft used primarily in conducting interstate and foreign commerce.
- The use by the holder of a carrier permit issued by the Interstate Commerce Commission or its successor agency of any motor vehicle or trailer used in substantial part in the normal and ordinary course of the user's business for transporting persons or property for hire across the boundaries of this state.

AUDITING

The Department of Revenue's Audit Division consists of an Assistant Director, Program Manager, three Regional Audit Managers, over 25 Field Audit Managers, and over 200 Auditors.

There are auditors permanently located in California, Colorado, Connecticut, Texas, Minnesota, Indiana, Illinois, Ohio, Florida, New Jersey, New York, and Pennsylvania. In addition, roving auditors travel the country to perform audits. During "short tours," in-state auditors also assist in auditing accounts located outside of Washington.

Before the Audit

The Department of Revenue selects businesses for routine audit to determine whether the proper state excise taxes have been reported and paid. Most audits are selected by statistical methods based upon criteria ranging from Standard Industrial Codes to volume of sales.

After receiving an audit assignment, the auditor usually contacts the business by telephone to make an appointment. A letter confirming the date and identifying the audit period and records to be examined will usually follow.

The statutory period covers the four preceding calendar years, plus the current year through the end of the last calendar quarter. (RCW 82.32.050)

What Occurs During an Audit?

- Verify income – Amounts reported on returns
- Reconcile calendar year sales
- Deductions and exemptions
- Verify sales or use tax paid on capital assets, consumables, supplies, and articles manufactured for commercial or industrial use
- Review Washington State excise tax returns, along with state apportionment schedules and consolidating work papers
- Review federal income tax returns for the business
- Review summary accounting records and source documents
- Review journals such as check registers, the general ledger, sales journal, general journal, cash re-

ceipts journal and any other records used to record income and expenses

- Review/test sales invoices
- Review depreciation schedule listing all assets
- Review resale certificates for any wholesale sales made
- Review supporting document for all deductions and exemptions
- Review annual reports
- Review other documents as necessary

After the Audit

At the end of each audit, the auditor holds an exit review conference. At this time, the auditor discusses the finding and presents the taxpayer with a draft of the audit schedules. The taxpayer may either agree or disagree with the audit findings.

The auditor provides copies of applicable schedules, laws, rules, and an opportunity to pay the tax and interest. Paying the assessment at the end of the audit prevents additional interest from accruing.

The auditor then prepares the final audit report for the review process. A field audit manager reviews the audit before submitting it to the Audit Division's Audit Review Unit. The Audit Review Unit reviews the audit and issues the notice of assessment. This usually takes about six to eight weeks.

Notices of assessments with tax deficiencies require payment within 30 days.

Businesses disagreeing with the auditors findings may request a supervisory conference. (WAC 458-20-100) This is an informal process in which the field audit manager contacts the taxpayer to discuss areas of disagreement. If the field audit manager agrees with the taxpayer, the auditor will make the necessary corrections. If the field audit manager agrees with the auditor's application of the law, that taxpayer may submit a formal written appeal to the Department's Appeals Division.

FORMAL APPEAL PROCESS

The Director of the Department of Revenue is required by statute to provide an adequate system of internal review of the actions of the Department or its officers and employees in the assessment or collection of taxes. (RCW 82.01.060) The Department must accept and consider timely written petitions from taxpayers for correction of assessments, whether paid or unpaid, or for refunds; and, when necessary, conduct conferences to examine these requests and make a just and lawful determination as to the taxpayer's request and mail the decision to the petitioner.

A business must make a written appeal within 30 days of the Department's action that they wish to appeal. Written request for appeals must be sent to:

Appeals Division
Washington State Department of Revenue
PO Box 47460
Olympia WA 98504-7460

The Department's Appeals Division provides the venue for a final internal review of Department actions, and simultaneously provides the forum for taxpayers' appeals. In this way, the Appeals Division fulfills the Director's statutory obligation to create a system of internal review and to address taxpayers' requests. The Appeals Division derives its authority directly from the Director's statutory authority to provide an adequate system of review.

This system of review, referred to as the appeals process, is non-adversarial in nature. The appeals are conducted by the Appeals Division's 16 Administrative Law Judges, who are all attorneys trained in the interpretation of Washington's Revenue Act, the Washington Administrative Code (Rules), and the Department's precedents established by prior departmental rulings and the courts.

Appeal by a taxpayer of an Appeals Division determination is either to the Board of Tax Appeals (RCW 82.03.130, .190) or to Superior Court (RCW 82.32.180). The collection of the tax is not stayed in an appeal to the Board of Tax Appeals, and the tax must be paid prior to a review in Superior Court.

Therefore, the appeal to the Appeals Division is the only review where the taxpayer does not have to pay the tax prior to obtaining a review (interest will continue to accrue on the tax due while the case is being heard in Appeals)

TAX REGISTRATION

With limited exceptions, persons, conducting business activities in the state of Washington are subject to this state's tax registrations and reporting requirements. WAC 458-20-101 provides detailed information about Washington's registration requirements.

Registration Requirements for Out-of-state Businesses

A three-prong test determines whether an out-of-state business must register with the Department of Revenue. Registration is required if:

- A business conducts activities that establish nexus sufficient for imposing the B&O tax (chapter 82.04 RCW) or the public utility tax (chapter 82.16 RCW); or
- A business's activities require collection of Washington's retail sales or use tax, or other taxes administered by the Department; or
- A business voluntarily chooses to collect and remit Washington's use tax even though the statute does not require it to do so.

A business may be exempt from the registration if it meets all of the following criteria:

- Annual gross income from Washington activities is less than \$12,000;
- The business is not required to collect sales tax or remit any tax other than the B&O tax or the public utility tax; and
- The business is not required to obtain a license or registration from another Washington State agency.

Uniform Business Identifier – Master Application Program

For most businesses, the Uniform Business Identifier (UBI) program provides a convenient, one-stop system that takes care of the basic registration requirements. Thus, by completing the Master Application, businesses may register with the Department of Revenue and various other state agencies. When completing the form, it is necessary to identify the specific agencies with which the business wishes to register.

Businesses completing the Master Application receive a UBI number. Those indicating a need to register with the Department of Revenue receive a tax registration endorsement. For Department of Revenue purposes, the nine-digit number is frequently referred to as a UBI number, a tax number or a tax registration number. Although a business may register with one or more state agencies, the UBI number is the same for each agency.

Master Applications are available by phone or from various agency offices statewide from the departments of Revenue, Licensing, Labor and Industries, Employment Security and the Office of the Secretary of State.

To request a Master Application by phone, call:

Taxpayer Information Center
Washington State Department of Revenue
1-800-647-7706

or
Department of Licensing
Master License Service
(360) 664-1400

You can also obtain this application at Department of Licensing's web site at <http://dol.wa.gov/forms/700028.htm>.

What Happens After Registration with the Department of Revenue?

Upon registration, the Department of Revenue assigns a reporting frequency. Businesses receive the excise tax return based upon their assigned filing frequency – monthly, quarterly, or annually.

Reporting Frequency

General rule - Unless otherwise provided by the Department, a taxpayer shall report and pay taxes due according to the following schedule:

If Annual Estimated Tax Liability Is:	Reporting Frequency
--	----------------------------

- | | |
|--|-------------------|
| • Over \$4,800 per year | Monthly returns |
| • Between \$1,050 and \$4,800 per year | Quarterly returns |
| • Less than \$1,050 per year | Annual returns |

Monthly reporters whose annual tax liability exceeds \$240,000 must pay their taxes by electronic funds transfer. (WAC 458-20-22802) Persons with questions about the electronic transfer program should contact:

Taxpayer Account Administration Division/
Electronic Funds Transfer Section
Washington State Department of Revenue
PO Box 47476
Olympia WA 98504-7476
(360) 902-7170

Contacting Other State Agencies

Out-of-state businesses may need to register or obtain a license from other Washington State agencies. Below is a list of other state agencies and their main function:

Employment Security

Unemployment Insurance
Status Unit
(360) 902-9360
Internet: <http://fortress.wa.gov/esd/portal/>

Labor and Industries

Industrial Insurance & Contractors Boding
Employer Services (360) 902-4817
Contractors Bonding (360) 902-6359
Internet: <http://www.lni.wa.gov/>

Department of Licensing

Business Licensing
Master License Services
(360) 664-1400
Internet: <http://www.dol.wa.gov/>

Secretary of State

Corporation Registration, LLC's and Trademarks
Corporations Division
(360) 753-7115
Internet: <http://www.secstate.wa.gov/>

Cities and towns

Many cities and towns impose licensing requirements and taxes on general business activities. Each city and town administers its own requirements. Please contact any city or town that you maybe conducting business in.

DEPARTMENT OF REVENUE SERVICES

Telephone Assistance

The Telephone Information Center offers a variety of personal and 24-hour automated services to both touch-tone and rotary dial callers.

The center's Tax Information Specialists provide assistance in registering businesses, completing tax returns, and responding to general questions. Specialists are generally available to answer questions Monday through Friday, 7:30 a.m. to 5:00 p.m.

- The toll free number is 1-800-647-7706
- Fast Fax is an on-demand 24-hour fax service available through 1-800-647-7706
- Tax Express – 1-800-334-8969 provides touch-tone callers with a variety of pre-recorded tax topics

Written Rulings

Tax Information Specialists in the Department's Taxpayer Information and Education Section respond to written inquiries for tax information. Unlike oral advice, written advice is binding on the Department providing that the taxpayer's name and all pertinent facts are disclosed. Request for written rulings maybe sent to:

Taxpayer Services Division
Washington State Department of Revenue
PO Box 47478
Olympia WA 98504-7478
Fax: (360) 705-6655

Excise Tax Maintenance Service – List Service

You can subscribe to the Washington Department of Revenue's *Excise Tax Information Updates* list service to receive free information updates from the Department. You are free to unsubscribe at any time.

You can subscribe at <https://dor.wa.gov/Content/Contactus/email/listServ.aspx?listtype=excise>. or go to our web site at <http://dor.wa.gov/>, and click on Contact Us.

Washington Tax Decisions – Published Determinations

The Department's Appeals Division, routinely hears and provides written decisions on appeals of excise tax assessments and petitions for refund. The decisions, referred to as determinations, are confidential. Only the taxpayer for whom it is written may rely on the information contained in the determination. Some determinations are published after information identifying the taxpayer is removed. Published determinations have precedential value and may be relied upon by the Department and all taxpayers. When deciding whether to publish a determination, the Department considers whether:

- The issue under appeal is a matter of first impression
- There has been a change in the statute or rules since a similar issue was decided
- There are distinguishable fact patterns between the current appeal and a previously published determination on a similar issue
- There is a recent court decision concerning the issue on appeal
- The length of time since the last published determination was issued on a similar issue

Published determinations are referred to as Washington Tax Decisions. The Department publishes Wash-

ington Tax Decisions annually in two parts. The decisions are available on the Department's web site at <http://taxpedia.dor.wa.gov/zipfiles.htm#Washington%20Tax%20Decisions>.

Internet

Internet users can access Washington State tax information via the Department of Revenue's web site at <http://dor.wa.gov>. Users can access the Department's newsletters, fact sheets, brochures, forms, press releases, rules, laws, published determinations, state business records and unclaimed property database and more.

Speakers Bureau

The Department of Revenue is committed to helping taxpayers understand their tax obligations and voluntarily comply with the law. Speakers from the Department are available to meet with your organization to talk about tax laws that affect your membership. To reserve a speaker, call the Speakers Bureau Coordinator at (360) 705-6601.

Taxpayer Rights Advocate

The Department of Revenue's Taxpayer Rights Advocate provides assistance in understanding and accessing taxpayer rights in working with the Department.

If you have a dispute with the Department of Revenue that you are unable to resolve through routine channels, the Department's Taxpayer Rights Advocate may be able to help.

The Advocate:

- Can help you understand the options and procedures available to resolve your issue.
- Can serve as a mediator between you, the taxpayer, and the Department.
- Is committed to helping you better understand your rights and responsibilities as a Washington State taxpayer.

The Advocate cannot, however, change applications of law or grant relief from taxes that are legally due. We encourage you to work with Department of Rev-

enue employees to resolve your tax liability issues.
If you believe that you have not been afforded
your rights, you may use our electronic feedback
form at [http://dor.wa.gov/content/contact/email/
feedback.aspx](http://dor.wa.gov/content/contact/email/feedback.aspx), call or write to:

Taxpayer Rights Advocate/
Taxpayer Services Division
PO Box 47478
Washington State Department of Revenue
Olympia, WA 98504-7478
1-800-647-7706
(360) 705-6714

WAC 458-20-193 Inbound and outbound interstate sales of tangible personal property.

(1) Introduction. This section explains Washington's B&O tax and retail sales tax applications to interstate sales of tangible personal property. It covers the outbound sales of goods originating in this state to persons outside this state and of inbound sales of goods originating outside this state to persons in this state. This section does not include import and export transactions.

(2) Definitions: For purposes of this section the following terms mean:

(a) "State of origin" means the state or place where a shipment of tangible personal property (goods) originates.

(b) "State of destination" means the state or place where the purchaser/consignee or its agent receives a shipment of goods.

(c) "Delivery" means the act of transferring possession of tangible personal property. It includes among others the transfer of goods from consignor to freight forwarder or for-hire carrier, from freight forwarder to for-hire carrier, one for-hire carrier to another, or for-hire carrier to consignee.

(d) "Receipt" or "received" means the purchaser or its agent first either taking physical possession of the goods or having dominion and control over them.

(e) "Agent" means a person authorized to receive goods with the power to inspect and accept or reject them.

(f) "Nexus" means the activity carried on by the seller in Washington which is significantly associated with the seller's ability to establish or maintain a market for its products in Washington.

(3) Outbound sales. Washington state does not assess its taxes on sales of goods which originate in Washington if receipt of the goods occurs outside Washington.

(a) Where tangible personal property is located in Washington at the time of sale and is received by the purchaser or its agent in this state, or the purchaser or its agent exercises ownership over the goods inconsistent with the seller's continued dominion over the goods, the sale is subject to tax under the retailing or wholesaling classification. The tax applies even though the purchaser or its agent intends to and thereafter does transport or send the property out-of-state for use or resale there, or for use in conducting interstate or foreign commerce. It is immaterial that the contract of sale or contract to sell is negotiated and executed outside the state or that the purchaser resides outside the state.

(b) Where the seller delivers the goods to the purchaser who receives them at a point outside Washington neither retailing nor wholesaling business tax is applicable. This exemption applies even in cases where the shipment is arranged through a for-hire carrier or freight consolidator or freight forwarder acting on behalf of either the seller or purchaser. It also applies whether the shipment is arranged on a "freight prepaid" or a "freight collect" basis. The shipment may be made by the seller's own transportation equipment or by a carrier for-hire. For purposes of this section, a for-hire carrier's signature does not constitute receipt upon obtaining the goods for shipment unless the carrier is acting as the purchaser's agent and has express written authority from the purchaser to accept or reject the goods with the right of inspection.

(4) Proof of exempt outbound sales.

(a) If either a for-hire carrier or the seller itself carries the goods for receipt at a point outside Washington, the seller is required to retain in its records documentary proof of the sales and delivery transaction and that the purchaser in fact received the goods outside the state in order to prove the sale is tax exempt. Acceptable proofs, among others, will be:

(i) The contract or agreement of sale, if any, And

(ii) If shipped by a for-hire carrier, a waybill, bill of lading or other contract of carriage indicating the seller has delivered the goods to the for-hire carrier for transport to the purchaser or the purchaser's agent at a point outside the state with the seller shown on the contract of carriage as the consignor (or other designation of the person sending the goods) and the purchaser or its agent as consignee (or other designation of the person to whom the goods are being sent); or

(iii) If sent by the seller's own transportation equipment, a trip-sheet signed by the person making delivery for the seller and showing:

The seller's name and address,

The purchaser's name and address,

The place of delivery, if different from purchaser's address,

The time of delivery to the purchaser together with the signature of the purchaser or its agent acknowledging receipt of the goods at the place designated outside the state of Washington.

(b) Delivery of the goods to a freight consolidator, freight forwarder or for-hire carrier merely utilized to arrange for and/or transport the goods is not receipt of the goods by the purchaser or its agent unless the

consolidator, forwarder or for-hire carrier has express written authority to accept or reject the goods for the purchaser with the right of inspection. See also WAC [458-20-174](#), [458-20-175](#), [458-20-176](#), [458-20-177](#), [458-20-238](#) and [458-20-239](#) for certain statutory exemptions.

(5) Other B&O taxes - outbound and inbound sales.

(a) Extracting, manufacturing. Persons engaged in these activities in Washington and who transfer or make delivery of such produced articles for receipt at points outside the state are subject to business tax under the extracting or manufacturing classification and are not subject to tax under the retailing or wholesaling classification. See also WAC [458-20-135](#) and [458-20-136](#). The activities taxed occur entirely within the state, are inherently local, and are conducted prior to the commercial journey. The tax is measured by the value of products as determined by the selling price in the case of articles on which the seller performs no further manufacturing after transfer out of Washington. It is immaterial that the value so determined includes an additional increment of value because the sale occurs outside the state. If the seller performs additional manufacturing on the article after transferring the article out-of-state, the value should be measured under the principles contained in WAC [458-20-112](#).

(b) Extracting or processing for hire, printing and publishing, repair or alteration of property for others. These activities when performed in Washington are also inherently local and the gross income or total charge for work performed is subject to business tax, since the operating incidence of the tax is upon the business activity performed in this state. No deduction is permitted even though the articles produced, imprinted, repaired or altered are delivered to persons outside the state. It is immaterial that the customers are located outside the state, that the work was negotiated or contracted for outside the state, or that the property was shipped in from outside the state for such work.

(c) Construction, repair. Construction or repair of buildings or other structures, public road construction and similar contracts performed in this state are inherently local business activities subject to B&O tax in this state. This is so even though materials involved may have been delivered from outside this state or the contracts may have been negotiated outside this state. It is immaterial that the work may be performed in this state by foreign sellers who performed preliminary services outside this state.

(d) Renting or leasing of tangible personal property. Lessors who rent or lease tangible personal property for use in this state are subject to B&O tax upon their gross proceeds from such rentals for periods of use in this state. Proration of tax liability based on the degree of use in Washington of leased property is required.

It is immaterial that possession of the property leased may have passed to the lessee outside the state or that the lease agreement may have been consummated outside the state. Lessors will not be subject to B&O tax if all of the following conditions are present:

(i) The equipment is not located in Washington at the time the lessee first takes possession of the leased property; and

(ii) The lessor has no reason to know that the equipment will be used by the lessee in Washington; and

(iii) The lease agreement does not require the lessee to notify the lessor of subsequent movement of the property into Washington and the lessor has no reason to know that the equipment may have been moved to Washington.

(6) Retail sales tax - outbound sales. The retail sales tax generally applies to all retail sales made within this state. The legal incidence of the tax is upon the purchaser, but the seller is obligated to collect and remit the tax to the state. The retail sales tax applies to all sales to consumers of goods located in the state when goods are received in Washington by the purchaser or its agent, irrespective of the fact that the purchaser may use the property elsewhere. However, as indicated in subsection (4)(b), delivery of the goods to a freight consolidator, freight forwarder or for-hire carrier arranged either by the seller or the purchaser, merely utilized to arrange for and/or transport the goods out-of-state is not receipt of the goods by the purchaser or its agent in this state, unless the consolidator, forwarder or for-hire carrier has express written authority to accept or reject the goods for the purchaser with the right of inspection.

(a) The retail sales tax does not apply when the seller delivers the goods to the purchaser who receives them at a point outside the state, or delivers the same to a for-hire carrier consigned to the purchaser outside the state. This exemption applies even in cases where the shipment is arranged through a for-hire carrier or freight consolidator or freight forwarder acting on behalf of either the seller or the purchaser. It also applies regardless of whether the shipment is arranged on a "freight prepaid" or a "freight collect" basis and regardless of who bears the risk of loss. The seller must retain proof of exemption as outlined in subsection (4), above.

(b) RCW [82.08.0273](#) provides an exemption from the retail sales tax to certain nonresidents of Washington for purchases of tangible personal property for use outside this state when the nonresident purchaser provides proper documentation to the seller. This statutory exemption is available only to residents of states and possessions or Province of Canada other than Washington when the jurisdiction does not impose a retail sales tax of three percent or more. These sales are subject to B&O tax.

(c) A statutory exemption (RCW [82.08.0269](#)) is allowed for sales of goods for use in states, territories and possessions of the United States which are not contiguous to any other state (Alaska, Hawaii, etc.), but only when, as a necessary incident to the contract of sale, the seller delivers the property to the purchaser or its designated agent at the usual receiving terminal of the for-hire carrier selected to transport the goods, under such circumstance that it is reasonably certain that the goods will be transported directly to a destination in such noncontiguous states, territories and possessions. As proof of exemption, the seller must retain the following as part of its sales records:

(i) A certification of the purchaser that the goods will not be used in the state of Washington and are intended for use in the specified noncontiguous state, territory or possession.

(ii) Written instructions signed by the purchaser directing delivery of the goods to a dock, depot, warehouse, airport or other receiving terminal for transportation of the goods to their place of ultimate use. Where the purchaser is also the carrier, delivery may be to a warehouse receiving terminal or other facility maintained by the purchaser when the circumstances are such that it is reasonably certain that the goods will be transported directly to their place of ultimate use.

(iii) A dock receipt, memorandum bill of lading, trip sheet, cargo manifest or other document evidencing actual delivery to such dock, depot, warehouse, freight consolidator or forwarder, or receiving terminal.

(iv) The requirements of (i) and (ii) above may be complied with through the use of a blanket exemption certificate as follows:

Exemption Certificate

We hereby certify that all of the goods which we have purchased and which we will purchase from you will not be used in the State of Washington but are for use in the state, territory or possession of.

You are hereby directed to deliver all such goods to the following dock, depot, warehouse, freight consolidator, freight forwarder, transportation agency or other receiving terminal:

.....
.....

for the transportation of those goods to their place of ultimate use.

This certificate shall be considered a part of each order that we have given you and which we may hereafter give

to you, unless otherwise specified, and shall be valid until revoked by us in writing.

DATED

.....
....

(Purchaser)

By
....

(Officer or Purchaser's

Representative)

Address
....

(v) There is no business and occupation tax deduction of the gross proceeds of sales of goods for use in noncontiguous states unless the goods are received outside Washington.

(d) See WAC [458-20-173](#) for explanation of sales tax exemption in respect to charges for labor and materials in the repair, cleaning or altering of tangible personal property for nonresidents when the repaired property is delivered to the purchaser at an out-of-state point.

(7) Inbound sales. Washington does not assert B&O tax on sales of goods which originate outside this state unless the goods are received by the purchaser in this state and the seller has nexus. There must be both the receipt of the goods in Washington by the purchaser and the seller must have nexus for the B&O tax to apply to a particular sale. The B&O tax will not apply if one of these elements is missing.

(a) Delivery of the goods to a freight consolidator, freight forwarder or for-hire carrier located outside this state merely utilized to arrange for and/or transport the goods into this state is not receipt of the goods by the purchaser or its agent unless the consolidator, forwarder or for-hire carrier has express written authority to accept or reject the goods for the purchaser with the right of inspection.

(b) When the sales documents indicate the goods are to be shipped to a buyer in Washington, but the seller delivers the goods to the buyer at a location outside this state, the seller may use the proofs of exempt sales contained in subsection 4 to establish the fact of delivery outside Washington.

(c) If a seller carries on significant activity in this state and conducts no other business in the state except the business of making sales, this person has the distinct burden of establishing that the instate activities are not significantly associated in any way with the sales into this

state. Once nexus has been established, it will continue throughout the statutory period of RCW [82.32.050](#) (up to five years), notwithstanding that the instate activity which created the nexus ceased. Persons taxable under the service B&O tax classification should refer to WAC [458-20-194](#). The following activities are examples of sufficient nexus in Washington for the B&O tax to apply:

(i) The goods are located in Washington at the time of sale and the goods are received by the customer or its agent in this state.

(ii) The seller has a branch office, local outlet or other place of business in this state which is utilized in any way, such as in receiving the order, franchise or credit investigation, or distribution of the goods.

(iii) The order for the goods is solicited in this state by an agent or other representative of the seller.

(iv) The delivery of the goods is made by a local outlet or from a local stock of goods of the seller in this state.

(v) The out-of-state seller, either directly or by an agent or other representative, performs significant services in relation to establishment or maintenance of sales into the state, even though the seller may not have formal sales offices in Washington or the agent or representative may not be formally characterized as a "salesperson".

(vi) The out-of-state seller, either directly or by an agent or other representative in this state, installs its products in this state as a condition of the sale.

(8) Retail sales tax - inbound sales. Persons engaged in selling activities in this state are required to be registered with the department of revenue. Sellers who are not required to be registered may voluntarily register for the collection and reporting of the use tax. The retail sales tax must be collected and reported in every case where the retailing B&O tax is due as outlined in subsection 7. If the seller is not required to collect retail sales tax on a particular sale because the transaction is disassociated from the instate activity, it must collect the use tax from the buyer.

(9) Use tax - inbound sales. The following sets forth the conditions under which out-of-state sellers are required to collect and remit the use tax on goods received by customers in this state. A seller is required to pay or collect and remit the tax imposed by chapter [82.12](#) RCW if within this state it directly or by any agent or other representative:

(i) Has or utilizes any office, distribution house, sales house, warehouse, service enterprise or other place of business; or

(ii) Maintains any inventory or stock of goods for sale; or

(iii) Regularly solicits orders whether or not such orders are accepted in this state; or

(iv) Regularly engages in the delivery of property in this state other than by for-hire carrier or U.S. mail; or

(v) Regularly engages in any activity in connection with the leasing or servicing of property located within this state.

(a) The use tax is imposed upon the use, including storage preparatory to use in this state, of all tangible personal property acquired for any use or consumption in this state unless specifically exempt by statute. The out-of-state seller may have nexus to require the collection of use tax without personal contact with the customer if the seller has an extensive, continuous, and intentional solicitation and exploitation of Washington's consumer market. (See WAC [458-20-221](#)).

(b) Every person who engages in this state in the business of acting as an independent selling agent for unregistered principals, and who receives compensation by reason of sales of tangible personal property of such principals for use in this state, is required to collect the use tax from purchasers, and remit the same to the department of revenue, in the manner and to the extent set forth in WAC [458-20-221](#).

(10) Examples - outbound sales. The following examples show how the provisions of this section relating to interstate sales of tangible personal property will apply when the goods originate in Washington (outbound sales). The examples presume the seller has retained the proper proof documents and that the seller did not manufacture the items being sold.

(a) Company A is located in Washington. It sells machine parts at retail and wholesale. Company B is located in California and it purchases machine parts from Company A. Company A carries the parts to California in its own vehicle to make delivery. It is immaterial whether the goods are received at either the purchaser's out-of-state location or at any other place outside Washington state. The sale is not subject to Washington's B&O tax or its retail sales tax because the buyer did not receive the goods in Washington. Washington treats the transaction as a tax exempt interstate sale. California may impose its taxing jurisdiction on this sale.

(b) Company A, above, ships the parts by a for-hire carrier to Company B in California. Company B has not previously received the parts in Washington directly or through a receiving agent. It is immaterial whether the goods are received at either Company B's out-of-state location or any other place outside Washington state. It is

immaterial whether the shipment is freight prepaid or freight collect. Again, Washington treats the transaction as an exempt interstate sale.

(c) Company B, above, has its employees or agents pick up the parts at Company A's Washington plant and transports them out of Washington. The sale is fully taxable under Washington's B&O tax and, if the parts are not purchased for resale by Company B, Washington's retail sales tax also applies.

(d) Company B, above, hires a carrier to transport the parts from Washington. Company B authorizes the carrier, or another agent, to inspect and accept the parts and, if necessary, to hold them temporarily for consolidation with other goods being shipped out of Washington. This sale is taxable under Washington's B&O tax and, if the parts are not purchased for resale by Company B, Washington's retail sales tax also applies.

(e) Washington will not tax the transactions in the above examples (a) and (b) if Company A mails the parts to Company B rather than using its own vehicles or a for-hire carrier for out-of-state receipt. By contrast, Washington will tax the transactions in the above examples (c) and (d) if for some reason Company B or its agent mails the parts to an out-of-state location after receiving them in Washington. The B&O tax applies to the latter two examples and if the parts are not purchased for resale by Company B then retail sales tax will also apply.

(f) Buyer C who is located in Alaska purchases parts for its own use in Alaska from Seller D who is located in Washington. Buyer C specifies to the seller that the parts are to be delivered to the water carrier at a dock in Seattle. The buyer has entered into a written contract for the carrier to inspect the parts at the Seattle dock. The sale is subject to the B&O tax because receipt took place in Washington. The retail sales tax does not apply because of the specific exemption at RCW [82.08.0269](#). This transaction would have been exempt of the B&O tax if the buyer had taken no action to receive the goods in Washington.

(11) Examples - inbound sales. The following examples show how the provisions of this section relating to interstate sales of tangible personal property will apply when the goods originate outside Washington (inbound sales). The examples presume the seller has retained the proper proof documents.

(a) Company A is located in California. It sells machine parts at retail and wholesale. Company B is located in Washington and it purchases machine parts for its own use from Company A. Company A uses its own vehicles to deliver the machine parts to its customers in Washington for receipt in this state. The sale is subject to the retail sales and B&O tax if the seller has nexus, or use tax if nexus is not present.

(b) Company A, above, ships the parts by a for-hire carrier to Company B in Washington. The goods are not accepted by Company B until the goods arrive in Washington. The sale is subject to the retail sales or use tax and is also subject to the B&O tax if the seller has nexus in Washington. It is immaterial whether the shipment is freight prepaid or freight collect.

(c) Company B, above, has its employees or agents pick up the parts at Company A's California plant and transports them into Washington. Company A is not required to collect sales or use tax and is not liable for B&O tax on the sale of these parts. Company B is liable for payment of use tax at the time of first use of the parts in Washington.

(d) Company B, above, hires a carrier to transport the parts from California. Company B authorizes the carrier, or an agent, to inspect and accept the parts and, if necessary, to hold them temporarily for consolidation with other goods being shipped to Washington. The seller is not required to collect retail sales or use tax and is not liable for the B&O tax on these sales. Company B is subject to use tax on the first use of the parts in Washington.

(e) Company B, above, instructs Company A to deliver the machine parts to a freight consolidator selected by Company B. The freight consolidator does not have authority to receive the goods as agent for Company B. Receipt will not occur until the parts are received by Company B in Washington. Company A is required to collect retail sales or use tax and is liable for B&O tax if Company A has nexus for this sale. The mere delivery to a consolidator or for-hire carrier who is not acting as the buyer's receiving agent is not receipt by the buyer.

(f) Transactions in examples (11)(a) and (11)(b) will also be taxable if Company A mails the parts to Company B for receipt in Washington, rather than using its own vehicles or a for-hire carrier. The tax will continue to apply even if Company B for some reason sends the parts to a location outside Washington after the parts were accepted in Washington.

(g) Company W with its main office in Ohio has one employee working from the employee's home located in Washington. The taxpayer has no offices, inventory, or other employees in Washington. The employee calls on potential customers to promote the company's products and to solicit sales. On June 30, 1990 the employee is terminated. After this date the company no longer has an employee or agent calling on customers in Washington or carries on any activities in Washington which is significantly associated with the seller's ability to establish or maintain a market for its products in Washington. Washington customers who had previously been contacted by the former employee continue to purchase the products by placing orders by mail or telephone

directly with the out-of-state seller. The nexus which was established by the employee's presence in Washington will be presumed to continue through December 31, 1994 and subject to B&O tax. Nexus will cease on December 31, 1994 if the seller has not established any new nexus during this period. Company W may disassociate and exclude from B&O tax sales to new customers who had no contact with the former employee. The burden of proof to disassociate is on the seller.

(h) Company X is located in Ohio and has no office, employees, or other agents located in Washington or any other contact which would create nexus. Company X receives by mail an order from Company Y for parts which are to be shipped to a Washington location. Company X purchases the parts from Company Z who is located in Washington and requests that the parts be drop shipped to Company Y. Since Company X has no nexus in Washington, Company X is not subject to B&O tax or required to collect retail sales tax. Company X has not taken possession or dominion or control over the parts in Washington. Company Z may accept a resale certificate from Company X which will bear the registration number issued by the state of Ohio. Company Y is required to pay use tax on the value of the parts.

(i) Company ABC is located in Washington and purchases goods from Company XYZ located in Ohio. Upon receiving the order, Company XYZ ships the goods by a for-hire carrier to a public warehouse in Washington. The goods will be considered as having been received by Company ABC at the time Company ABC is entitled to receive a warehouse receipt for the goods. Company XYZ will be subject to the B&O tax at that time if it had nexus for this sale.

(j) P&S Department Stores has retail stores located in Washington, Oregon, and in several other states. John Doe goes to a P&S store in Portland, Oregon to purchase luggage. John Doe takes physical possession of the luggage at the store and elects to finance the purchase using a credit card issued to him by P&S. John Doe is a Washington resident and the credit card billings are sent to him at his Washington address. P&S does not have any responsibility for collection of retail sales or use tax on this transaction because receipt of the luggage by the customer occurred outside Washington.

(k) JET Company is located in the state of Kansas where it manufactures specialty parts. One of JET's customers is AIR who purchases these parts as components of the product which AIR assembles in Washington. AIR has an employee at the JET manufacturing site who reviews quality control of the product during fabrication. He also inspects the product and gives his approval for shipment to Washington. JET is not subject to B&O tax on the sales to AIR. AIR receives the parts in Kansas irrespective that JET may be shown as the shipper on bills of lading or that some parts

eventually may be returned after shipment to Washington because of hidden defects.

[Statutory Authority: RCW [82.32.300](#). 91-24-020, § 458-20-193, filed 11/22/91, effective 1/1/92. Formerly WAC [458-20-193A](#) and 458-20-193B.]

WAC 458-20-170 Constructing and repairing of new or existing buildings or other structures upon real property.

(1) Definitions. As used herein:

(a) The term "prime contractor" means a person engaged in the business of performing for consumers, the constructing, repairing, decorating or improving of new or existing buildings or other structures under, upon or above real property, either for the entire work or for a specific portion thereof. The term includes persons who rent or lease equipment to property owners for use in respect to constructing, repairing, etc., buildings or structures upon such property, when the equipment is operated by the lessor.

(b) The word "subcontractor" means a person engaged in the business of performing a similar service for persons other than consumers, either for the entire work or for a specific portion thereof. The term includes persons who rent or lease equipment to prime contractors or subcontractors for use in respect to constructing, repairing, etc., when such equipment is operated by the lessor. When equipment or other tangible personal property is rented without an operator to contractors, subcontractors or others, the transaction is a sale at retail (see RCW [82.04.040](#) and [82.04.050](#)).

(c) The terms "prime contractor" and "subcontractor" include persons performing labor and services in respect to the moving of earth or clearing of land, cleaning, fumigating, razing, or moving of existing buildings or structures even though such services may not be done in connection with a contract involving the constructing, repairing, or altering of a new or existing building or structure. The terms also include persons constructing streets, roads, highways, etc., owned by the state of Washington.

(d) The term "buildings or other structures" means everything artificially built up or composed of parts joined together in some definite manner and attached to real property. It includes not only buildings in the general and ordinary sense, but also tanks, fences, conduits, culverts, railroad tracks, tunnels, overhead and underground transmission systems, monuments, retaining walls, piling and privately owned bridges, trestles, parking lots, and pavements for foot or vehicular traffic, etc.

(e) The term “constructing, repairing, decorating or improving of new or existing buildings or other structures,” in addition to its ordinary meaning, includes: The installing or attaching of any article of tangible personal property in or to real property, whether or not such personal property becomes a part of the realty by virtue of installation; the clearing of land and the moving of earth; and the construction of streets, roads, highways, etc., owned by the state of Washington. The term includes the sale of or charge made for all service activities rendered in respect to such constructing, repairing, etc., regardless of whether or not such services are otherwise defined as “sale” by RCW [82.04.040](#) or “sales at retail” by RCW [82.04.050](#). Hence, for example, such service charges as engineering fees, architectural fees or supervisory fees are within the term when the services are included within a contract for the construction of a building or structure. The fact that the charge for such services may be shown separately in bid, contract or specifications does not establish the charge as a separate item in computing tax liability.

(2) Speculative builders.

(a) As used herein the term “speculative builder” means one who constructs buildings for sale or rental upon real estate owned by him. The attributes of ownership of real estate for purposes of this rule include but are not limited to the following: (i) The intentions of the parties in the transaction under which the land was acquired; (ii) the person who paid for the land; (iii) the person who paid for improvements to the land; (iv) the manner in which all parties, including financiers, dealt with the land. The terms “sells” or “contracts to sell” include any agreement whereby an immediate right to possession or title to the property vests in the purchaser.

(b) Where an owner of real estate sells it to a builder who constructs, repairs, decorates, or improves new or existing buildings or other structures thereon, and the builder thereafter resells the improved property back to the owner, the builder will not be considered a speculative builder. In such a case that portion of the resale attributable to the construction, repairs, decorations, or improvements by the builder, shall not be considered a sale of real estate and shall be fully subject to retailing business and occupation tax and retail sales tax. It is intended by this provision to prevent the avoidance of tax liability on construction labor and services by utilizing the mechanism of real property transfers. (RCW [82.04.050](#)) (2)(c).

(c) Amounts derived from the sale of real estate are exempt from the business and occupation tax. (RCW [82.04.390](#).) Consequently, the proceeds of sales by legitimate speculative builders of completed buildings are not subject to such tax. Neither does the sales tax apply to such sales, since such a sale involves no charge made for construction for a consumer, but the price paid is for the sale of real estate.

(d) However, when a speculative builder sells or contracts to sell property upon which he is presently constructing a building, all construction done subsequent to the date of such sale or contract constitutes a retail sale and that portion of the sales price allocable to construction done after the agreement shall be taxed accordingly. Consequently, the builder must pay business and occupation tax under the retailing classification on that part of the sales price attributable to construction done subsequent to the agreement, and shall also collect sales tax from the buyer on such allocable part of the sales price.

(e) Speculative builders must pay sales tax upon all materials purchased by them and on all charges made by their subcontractors. Deductions for such tax paid with respect to materials used or charges made for that part of the construction done after the contract to sell the building should be claimed by the speculative builder on his tax returns in accordance with WAC [458-20-102](#), under the subheading PURCHASES FOR DUAL PURPOSES.

(f) Persons, including corporations, partnerships, sole proprietorships, and joint ventures, among others, who perform construction upon land owned by their corporate officers, shareholders, partners, owners, co-venturers, etc., are constructing upon land owned by others and are taxable as sellers under this rule, not as “speculative builders.”

(3) Business and occupation tax.

(a) Prime contractors are taxable under the retailing classification, and subcontractors under the wholesaling classification upon the gross contract price.

(b) Where no gross contract price is stated in any contract or agreement between the builder and the property owner, then the measure of business and occupation tax is the total amount of construction costs, including any charges for licenses, fees, permits, etc., required for the construction and paid by the builder.

(4) Retail sales tax.

(a) Prime contractors are required to collect from consumers the retail sales tax measured by the full contract price. Where no gross contract price is stated, the measure of sales tax is the total amount of construction costs including any charges for licenses, fees, permits, etc., required for construction and paid by the builder.

(b) The retail sales tax does not apply to charges made for janitorial services nor for the mere leveling of land used in commercial farming or agriculture. The tax does apply, however, in respect to contracts for cleaning septic tanks or the exterior walls of buildings, as well as to earth moving, land clearing and the razing or moving of

structures, whether or not such services are performed as incidents of a contract to construct, repair, decorate, or improve buildings or structures.

(c) Sales to prime contractors and subcontractors of materials such as concrete, tie rods, lumber, finish hardware, etc., which become part of the structure being built or improved are sales for resale and are not subject to the retail sales tax. Sales of form lumber to such contractors are sales for resale provided that such lumber is used or to be used first by such persons for the molding of concrete in a single contract, project or job and the form lumber is thereafter incorporated into the product of that same contract project or job as an ingredient or component thereof. Sales of form lumber not so incorporated as an ingredient or component are sales at retail.

(d) The retail sales tax applies upon sales and rentals to prime contractors and subcontractors of tools, machinery and equipment, and consumable supplies, such as hand and machine tools, cranes, air compressors, bulldozers, lubricating oil, sandpaper and form lumber which are primarily for use by the contractor rather than for resale as a component part of the finished structure.

(e) The retail sales tax applies upon sales to speculative builders of all tangible personal property, including building materials, tools, equipment and consumable supplies and upon sales of labor, services and materials to speculative builders by independent contractors.

(5) Use tax.

The use tax applies generally to the use by prime contractors and subcontractors of tools, machinery, equipment and consumable supplies acquired by them primarily for their own use and upon which the retail sales tax has not been paid. This includes equipment and supplies purchased in a foreign state for use or consumption in performing contracts in this state. The use tax applies generally to the use by speculative builders of all tangible personal property, including building materials, purchased or acquired by them without payment of the retail sales tax (see also WAC [458-20-178](#)).

[Statutory Authority: RCW [82.32.300](#). 87-19-007 (Order ET 87-5), § 458-20-170, filed 9/8/87; 83-07-033 (Order ET 83-16), § 458-20-170, filed 3/15/83; Order ET 71-1, § 458-20-170, filed 7/22/71; Order ET 70-3, § 458-20-170 (Rule 170), filed 5/29/70, effective 7/1/70.]

WAC 458-20-173 Installing, cleaning, repairing or otherwise altering or improving personal property of consumers.

Business and Occupation Tax

Retailing. Persons installing, cleaning, decorating, beautifying, repairing or otherwise altering or improving tangible personal property of consumers or for consumers are taxable under the retailing classification upon the gross proceeds received from sales of tangible personal property and the rendition of services.

Wholesaling. Persons who sell tangible personal property to, or render any of the above services for others than consumers, are taxable under the wholesaling classification upon the gross proceeds of sales received therefrom.

There must be included within gross amounts reported for tax all fees for services rendered and all charges recovered for expenses incurred in connection therewith, such as transportation costs, hotel, restaurant, telephone and telegraph charges, etc.

Retail Sales Tax

Persons engaged in the business of installing, cleaning, decorating, beautifying, repairing or otherwise altering or improving tangible personal property of consumers or for consumers are required to collect the retail sales tax upon the total charge made for the rendition of such services, even though no tangible personal property in the form of materials or supplies is sold or used in connection with such services. Where tangible personal property in the form of materials and supplies is sold or used in connection with such services, the retail sales tax applies to the total charges made for the sale of the materials and supplies and the services rendered in connection therewith.

The following are illustrative of services upon which the retail sales tax applies to the total charge made to consumers:

Laundering, dyeing and cleaning;

Automobile repairing, washing and painting;

Boat repairing (see WAC [458-20-175](#) and [458-20-176](#) for certain exemptions); shoe repairing and shining;

Altering or repairing wearing apparel.

In general, the repairing of any personal property, such as radios, refrigerators, machines, watches and jewelry and other articles.

The retail sales tax does not apply to sales to such persons of materials which are resold as a part of the

articles of tangible personal property being repaired, altered or improved. Therefore, upon giving a resale certificate the retail sales tax will not apply to purchases such as:

- (1) Parts or paint by an automotive repairman;
- (2) Lumber, chandlery, etc., by a boat repairman;
- (3) Shoe findings, thread, nails, polish and dyes by a shoe repairman;
- (4) Solder, wire, condensers, etc., by a radio or television repairman.

On the other hand the retail sales tax does apply to the purchase of all other supplies which may be consumed and utilized by such persons in the rendition of such services, such as fuel, lubricant, machines, hand tools, stationery and other supplies and equipment.

REPAIRS FOR OUT-OF-STATE PERSONS. Persons residing outside this state may ship into this state articles of tangible personal property for the purpose of having the same repaired, cleaned or otherwise altered, and thereafter returned to them. The retail sales tax is not applicable to the charge made for labor and/or materials, provided the seller, as a requirement of the agreement, delivers the property to the purchaser at a point outside this state or delivers the property to a common or bona fide private carrier consigned to the purchaser at a point outside this state. Proof of exempt sales will be the same as that required for sales of tangible personal property in interstate commerce. WAC [458-20-193](#), Part A. No deduction is allowed, however, under the business and occupation tax.

For taxability of warranty, service, or maintenance contracts, see WAC [458-20-107](#).

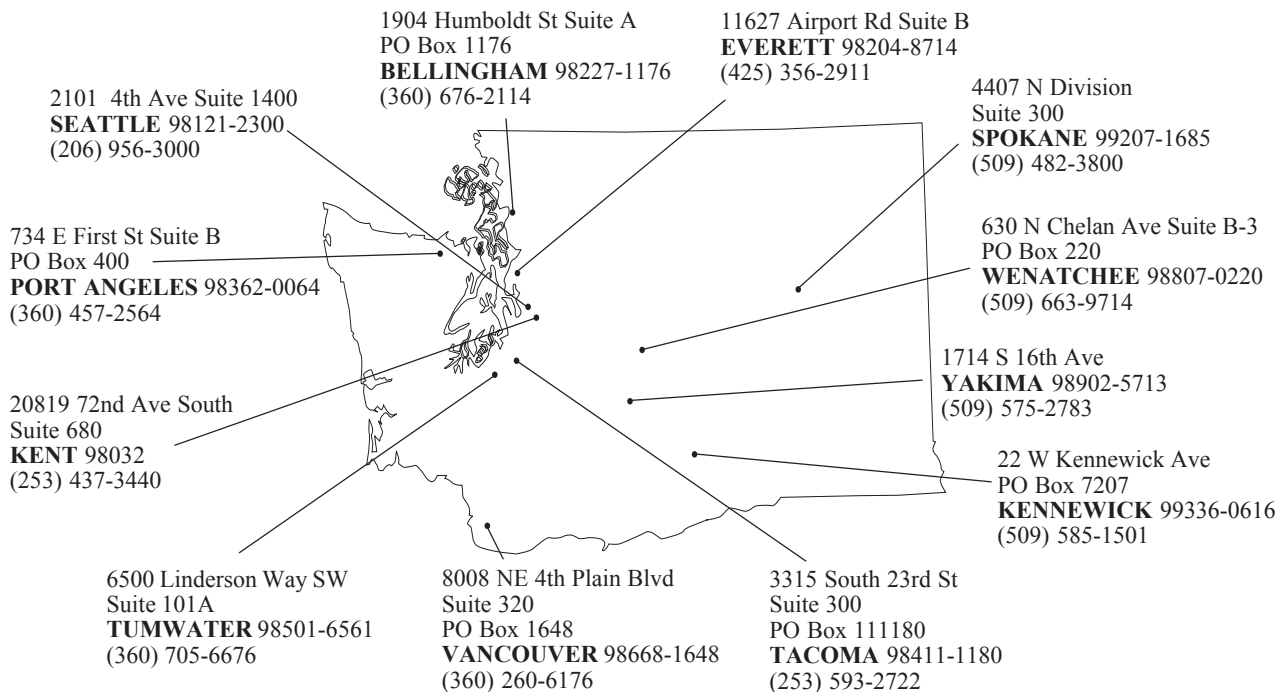
[Statutory Authority: RCW [82.32.300](#). 83-07-033 (Order ET 83-16), § 458-20-173, filed 3/15/83; Order ET 70-3, § 458-20-173 (Rule 173), filed 5/29/70, effective 7/1/70.]

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Prepared by the Taxpayer Services Division

Printed on recycled paper

06/04